

Message Text

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ACTION NEA-09

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SUBJECT: DEVELOPMENTS ON THE BANKING FRONT

REF: CAIRO 10329

1. FIRST NATIONAL BANK OF CHICAGO. ON JAN 6 AN AGREEMENT WAS SIGNED FORMING MISR INTERNATIONAL BANK, A JOINT VENTURE UNDER NEW INVESTMENT LAW. EVENT WAS GIVEN CONSIDERABLE PLAY IN PRESS AND WAS CELEBRATED IN VARIOUS SOCIAL EVENTS.

2. MISR INTERATIONAL HAS INITIAL CAPITAL OF \$1.5 MILLION DISTRIBUTED AS FOLLOWS:

BANK MISR 51 PERCENT

FIRST NATL OF CHICAGO 20 PERCENT

BANCO DI ROMA 19 PERCENT

UNION DES BANQUES ARABES 10 PERCENT

ET FRANCAISES 10PERCENT

BOARD OF DIRECTORS WILL CONSIST OF 11 MEMBERS WITH 6 INCLUDING CHAIRMAN REPRESENTING BANQUE MISR. CONTRACT, WHICH CALLS FOR A 2/3 MAJORITY IN MAJOR BOARD DECISIONS, EFFECTIVELY GIVES FIRST NATIONAL AND BANCO DI ROMA VETO POWER IF THEY WISH.

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3. OFFICIALS OF THE BANK INDICATE THEY WILL BE OFFERING FULL-RANGE OF LOCAL BANKING SERVICES IN ADDITION TO FOREIGN CURRENCY ACTIVITIES. SINCE ACTUAL OPENING OF THE BANK IS NOT EXPECTED FOR SEVERAL MONTHS, IT IS STILL NOT CLEAR THAT MISR INTERNATIONAL WILL, INDEED, COMPETE ACROSS THE BOARD WITH LOCAL BANKS.

4. CHASE MANHATTAN BANK. CHASE STILL PLANS TO OPEN ITS DOORS ON JAN 21, DURING VISIT OF DAVID ROCKEFELLER TO CAIRO, EVEN THOUGH MODEL STATUTES ON WHICH ARTICLES OF FORMATION MUST BE BASED HAVE YET NOT BEEN ISSUED(NOR FOR THAT MATTER, REGULATIONS FOR INVESTMENT LAW UNDER WHICH CHASE'S JOINT VENTURE WITH NATIONAL BANK OF EGYPT IS TAKING PLACE).

5. DESPITE STILL UNANSWERED QUESTIONS, CHASE IS REPORTEDLY MOVING AHEAD WITH PLANS TO OPEN BRANCHES IN CAIRO WAS WELL AS ALEXANDRIA AND PORT SAID.

6. IN ADDITION TO PROBLEMS PREVIOUSLY REPORTED, WE ARE ADVISED THAT CHAIRMAN OF NATIONAL BANK OF EGYPT NOW INTENDS TO BE CHAIRMAN OF CHASE MANHATTAN IN CONTRAVENTION OF WHAT HAD PREVIOUSLY BEEN AGREED. SINCE THIS WOULD HAVE ADVERSE IMPACT ON MANAGEMENT CONCEPT WHICH WAS BASIS FOR CHASE'S PROPOSAL, IT IS SOURCE OF SOME BUT EVIDENTLY NOT MAJOR CONCERN.

7. WE ARE ALSO TOLD THAT CHASE IS UNDER CONSIDERABLE PRESSURE IN NEW YORK TO UNDERTAKE BANKING ACTIVITIES IN ISRAEL. SINCE CHASE HAD SEVERE BOYCOTT DIFFICULTIES IN 1967 FROM WHICH IT EVIDENTLY MANAGED TO EXTRICATE ITSELF, THE LOCAL CHASE REPS ARE URGING THAT NOTHING BE DONE WHICH MIGHT UNDERCUT EFFORTS HERE. WHILE WE DOUBT THAT CONCERNS OF LOCAL REP WILL BE OF IMPORTANCE IN THE OVERALL QUESTION, EMBASSY HOPES THAT NOTHING WILL OCCUR AT THIS CRITICAL TIME WHICH WOULD INTERFERE WITH INAUGURATION OF USEFUL JOINT VENTURE.
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